



Certified Public Accountants and Consultants

**CHILDREN & FAMILIES FIRST DELAWARE INC.
(T/A CHILDREN & FAMILIES FIRST, INC.)
AND SUPPORTING ORGANIZATIONS**

**FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT**

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Children & Families First Delaware Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Children & Families First Delaware Inc. (a nonprofit organization) and supporting organizations, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Children & Families First Delaware Inc. adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children & Families First Delaware Inc. and supporting organizations as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and the consolidating schedule of activities on pages 28 and 30, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of Children & Families First Delaware Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children & Families First Delaware Inc.'s internal control over financial reporting and compliance.

June 25, 2019

Gunnip & Company LLP

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	ASSETS	
	2018	RESTATED 2017
CURRENT ASSETS		
Cash and equivalents	\$ 378,940	\$ 559,213
Grants and accounts receivable	2,058,529	3,005,844
Prepaid expenses	130,342	130,648
	<hr/>	<hr/>
Total current assets	2,567,811	3,695,705
OTHER ASSETS		
Investments	3,171,343	3,792,620
Beneficial interest in perpetual trusts	3,970,568	4,445,325
	<hr/>	<hr/>
	7,141,911	8,237,945
PROPERTY AND EQUIPMENT		
Land and improvements	473,687	594,855
Building and improvements	5,561,911	6,263,041
Automobiles	573,817	531,944
Building equipment and furnishings	824,599	1,241,775
Office and MIS equipment	471,053	471,053
	<hr/>	<hr/>
	7,905,067	9,102,668
Accumulated depreciation	4,727,176	5,463,295
	<hr/>	<hr/>
Property and equipment, net	3,177,891	3,639,373
ASSETS HELD FOR SALE	<hr/>	<hr/>
	177,418	0
	<hr/>	<hr/>
	\$ 13,065,031	\$ 15,573,023
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See accompanying notes to financial statements.

**CHILDREN & FAMILIES FIRST
DELAWARE INC.**

LIABILITIES

	2018	RESTATED 2017
CURRENT LIABILITIES		
Line of credit	\$ 1,696,152	\$ 1,789,124
Mortgage and notes payable	43,151	66,485
Accounts payable	76,935	350,488
Accrued expenses	129,889	151,764
Capital lease payable	47,329	89,978
Deferred revenue	306,804	663,822
	<hr/>	<hr/>
Total Current Liabilities	2,300,260	3,111,661
	<hr/>	<hr/>
LONG TERM LIABILITIES		
Pension liability	688,819	874,227
Capital lease payable	146,587	152,769
Mortgage and notes payable	76,237	119,270
	<hr/>	<hr/>
Total Long Term Liabilities	911,643	1,146,266
	<hr/>	<hr/>
Total Liabilities	3,211,903	4,257,927

NET ASSETS

NET ASSETS		
Without donor restrictions		
Unrestricted - general use	2,072,711	2,423,629
Unrestricted - endowment	1,916,656	2,275,569
	<hr/>	<hr/>
Total without donor restrictions	3,989,367	4,699,198
With donor restrictions	5,863,761	6,615,898
	<hr/>	<hr/>
Total Net Assets	9,853,128	11,315,096
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Total Liabilities and Net Assets	\$ 13,065,031	\$ 15,573,023
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See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

**CHILDREN & FAMILIES FIRST
DELAWARE INC.**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Public support:			
Received directly			
Contributions and bequests	\$ 253,796	\$ 788,719	\$ 1,042,515
Received indirectly			
Allocation by United Way of Delaware, Inc.	24,532	230,562	255,094
Fundraisers	170,667	0	170,667
Less: Direct expenses	(55,188)	0	(55,188)
Government Agencies	13,144,422	0	13,144,422
Other grants	594,235	0	594,235
Other revenues:			
Fees for services - referrals	157,635	0	157,635
Program service fees	43,110	0	43,110
Investment income	261,635	0	261,635
Rent income	28,985	0	28,985
Other	16,075	0	16,075
Net assets released from restrictions	1,296,662	(1,296,662)	0
TOTAL PUBLIC SUPPORT AND REVENUE	15,936,566	(277,381)	15,659,185
EXPENSES AND LOSSES:			
Program Services			
Positive Parenting	2,472,374	0	2,472,374
Supporting Teens	3,454,567	0	3,454,567
Healthy Babies	2,853,750	0	2,853,750
Family Resources	1,552,916	0	1,552,916
Early Childhood	2,450,616	0	2,450,616
Older Adults	4,689	0	4,689
Workplace Supports	516,481	0	516,481
Grief Counseling	326,822	0	326,822
Program Quality and Helpline	76,243	0	76,243
Total Program Services	13,708,458	0	13,708,458
Supporting Services			
Management and general	2,408,718	0	2,408,718
Fundraising costs	340,447	0	340,447
Total Supporting Service	2,749,165	0	2,749,165
TOTAL EXPENSES AND LOSSES	16,457,623	0	16,457,623
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(521,057)	(277,381)	(798,438)
NONOPERATING ACTIVITY			
Periodic pension gain	185,408	0	185,408
Realized/unrealized loss on investments	(378,182)	0	(378,182)
Gain on sale of fixed assets	4,000	0	4,000
Loss on beneficial interest in perpetual trusts	0	(474,756)	(474,756)
TOTAL NONOPERATING ACTIVITY	(188,774)	(474,756)	(663,530)
CHANGE IN NET ASSETS	(709,831)	(752,137)	(1,461,968)
NET ASSETS AT BEGINNING OF YEAR	4,699,198	6,615,898	11,315,096
NET ASSETS AT END OF YEAR	\$ 3,989,367	\$ 5,863,761	\$ 9,853,128

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

**CHILDREN & FAMILIES FIRST
DELAWARE INC.**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Public support:			
Received directly			
Contributions and bequests	\$ 256,620	\$ 980,788	\$ 1,237,408
Received indirectly			
Allocation by United Way of Delaware, Inc.	156,102	332,878	488,980
Fundraisers	201,716	0	201,716
Less: Direct expenses	(101,557)	0	(101,557)
Government Agencies	13,294,086	0	13,294,086
Other grants	758,940	0	758,940
Other revenues:			
Fees for services - referrals	182,956	0	182,956
Program service fees	57,902	0	57,902
Investment income	288,905	0	288,905
Rent income	25,741	0	25,741
Other	45,346	0	45,346
Net assets released from restrictions	1,286,412	(1,286,412)	0
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	16,453,169	27,254	16,480,423
EXPENSES AND LOSSES:			
Program Services			
Positive Parenting	2,906,540	0	2,906,540
Supporting Teens	3,773,673	0	3,773,673
Healthy Babies	2,542,562	0	2,542,562
Family Resources	1,330,639	0	1,330,639
Early Childhood	2,605,695	0	2,605,695
Workplace Supports	929,834	0	929,834
Grief Counseling	391,801	0	391,801
Program Quality and Helpline	76,289	0	76,289
Total Program Services	14,557,033	0	14,557,033
Supporting Services			
Management and general	2,421,768	0	2,421,768
Fundraising costs	365,013	0	365,013
Total Supporting Service	2,786,781	0	2,786,781
TOTAL EXPENSES AND LOSSES	17,343,814	0	17,343,814
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(890,645)	27,254	(863,391)
NONOPERATING ACTIVITY			
Periodic pension loss	61,137	0	61,137
Realized/unrealized gain on investments	298,825	0	298,825
Gain on sale of fixed assets	31,580	0	31,580
Gain on beneficial interest in perpetual trusts	0	352,581	352,581
TOTAL NONOPERATING ACTIVITY	391,542	352,581	744,123
CHANGES IN NET ASSETS	(499,103)	379,835	(119,268)
NET ASSETS, BEGINNING OF YEAR	5,198,301	6,236,063	11,434,364
NET ASSETS, END OF YEAR	\$ 4,699,198	\$ 6,615,898	\$ 11,315,096

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services									Total Program Services
	Positive Parenting	Supporting Teens	Healthy Babies	Family Resources	Early Childhood	Older Adults	Workplace Supports	Grief Counseling	Program Quality & Helpline	
EXPENSES										
Salaries	\$ 1,029,190	\$ 2,121,083	\$ 1,648,946	\$ 804,362	\$ 676,694	\$ 3,070	\$ 38,154	\$ 218,468	\$ 77,376	\$ 6,617,343
Employee benefits expense	213,495	398,390	309,099	126,427	128,972	704	6,182	28,189	18,064	1,229,522
Payroll taxes	94,029	194,114	149,343	73,683	61,672	212	3,378	20,473	6,852	603,756
Total Salaries and Related Expenses	1,336,714	2,713,587	2,107,388	1,004,472	867,338	3,986	47,714	267,130	102,292	8,450,621
Professional fees	183,782	114,861	266,224	363,520	7,336	86	1,490	7,665	1,310	946,274
Supplies	84,861	105,022	35,193	59,609	6,140	5	69	5,249	469	296,617
Telephone	26,420	61,661	37,447	20,437	11,975	65	6,497	6,391	1,392	172,285
Postage	1,619	3,990	2,266	1,545	886	9	136	625	106	11,182
Rent	4,840	7,267	6,335	1,951	3,542	24	261	449	306	24,975
Utilities	14,909	50,718	19,515	6,001	10,914	70	806	1,383	943	105,259
Maintenance of facilities	28,652	92,797	37,504	11,532	20,974	135	1,548	2,657	1,813	197,612
Offsite storage and document destruction	110	0	0	0	8	0	0	0	0	118
Multi-peril insurance	8,183	12,412	7,293	4,615	3,610	40	280	278	326	37,037
Service contracts	4,686	13,136	8,647	1,866	3,430	22	253	435	296	32,791
Purchased equipment	1,715	19,004	35,481	6,258	1,166	9	95	710	147	64,585
Interest expense	3,449	5,181	4,515	1,388	2,525	16	186	320	218	17,798
Printing and publications	9,146	4,165	12,680	2,989	1,042	(16)	299	3,536	2,367	36,208
Travel	77,390	131,830	108,666	12,562	36,543	0	368	3,683	480	371,522
Conferences and training	4,483	18,424	62,924	25,425	6,871	0	0	2,602	0	120,729
Special assistance	619,050	7,629	30,891	3,926	1,426,813	0	453,049	7,400	0	2,548,758
Professional dues	2,000	118	1,750	2,500	150	0	0	55	0	6,573
Miscellaneous	9,456	16,324	2,416	1,816	1,273	(1)	380	121	(39,441)	(7,656)
Recruitment expense	0	0	0	0	0	0	0	0	0	0
Bad debt expense	0	0	0	0	0	0	0	0	0	0
Bank fees	380	554	479	147	1,091	2	318	1,934	23	4,928
Special event expense	0	0	0	0	0	0	0	9,513	0	9,513
Taxes	0	0	0	0	0	0	0	0	0	0
Depreciation	50,529	75,887	66,136	20,337	36,989	237	2,732	4,686	3,196	260,729
TOTAL EXPENSES	\$ 2,472,374	\$ 3,454,567	\$ 2,853,750	\$ 1,552,916	\$ 2,450,616	\$ 4,689	\$ 516,481	\$ 326,822	\$ 76,243	\$ 13,708,458

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (cont'd)

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

	Supporting Services			
	Management & General	Fundraising Costs	Total Supporting Services	Total
EXPENSES				
Salaries	\$ 1,118,061	\$ 214,143	\$ 1,332,204	\$ 7,949,547
Employee benefits expense	248,240	21,315	269,555	1,499,077
Payroll taxes	99,280	20,186	119,466	723,222
Total Salaries and Related Expenses	1,465,581	255,644	1,721,225	10,171,846
Professional fees	86,375	26,588	112,963	1,059,237
Supplies	22,763	261	23,024	319,641
Telephone	(4,899)	4,258	(641)	171,644
Postage	2,977	617	3,594	14,776
Rent	5,184	1,155	6,339	31,314
Utilities	16,456	3,556	20,012	125,271
Maintenance of facilities	83,923	6,834	90,757	288,369
Offsite storage and document destruction	20,199	0	20,199	20,317
Multi-peril insurance	49,048	1,107	50,155	87,192
Service contracts	5,398	1,118	6,516	39,307
Purchased equipment	26,781	580	27,361	91,946
Interest expense	85,739	823	86,562	104,360
Printing and publications	26,956	18,180	45,136	81,344
Travel	75,982	3,718	79,700	451,222
Conferences and training	33,520	871	34,391	155,120
Special assistance	(12,213)	0	(12,213)	2,536,545
Professional dues	45,214	1,365	46,579	53,152
Miscellaneous	32,726	1,632	34,358	26,702
Recruitment expense	0	0	0	0
Bad debt expense	248,452	0	248,452	248,452
Bank fees	36,509	87	36,596	41,524
Special event expense	0	0	0	9,513
Taxes	1,918	0	1,918	1,918
Depreciation	54,129	12,053	66,182	326,911
TOTAL EXPENSES	\$ 2,408,718	\$ 340,447	\$ 2,749,165	\$ 16,457,623

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services							Program Quality & Helpline	Total Program Services
	Positive Parenting	Supporting Teens	Healthy Babies	Family Resources	Early Childhood	Workplace Supports	Grief Counseling		
EXPENSES									
Salaries	\$ 1,297,780	\$ 2,221,978	\$ 1,570,632	\$ 679,355	\$ 730,220	\$ 269,298	\$ 186,159	\$ 76,073	\$ 7,031,495
Employee benefits expense	228,888	435,940	294,711	82,395	133,729	47,462	20,556	9,949	1,253,630
Payroll taxes	125,025	220,438	144,704	66,926	69,694	25,881	0	7,069	659,537
Total Salaries and Related Expenses	1,651,693	2,878,356	2,010,047	828,676	933,643	342,441	206,715	93,091	8,944,662
Professional fees	182,052	236,686	101,775	342,070	40,513	18,404	144,789	4,839	1,071,128
Supplies	81,056	104,403	96,318	66,468	7,065	5,244	304	167	361,025
Telephone	39,533	73,148	43,779	16,468	10,880	11,766	110	1,604	197,288
Postage	1,473	1,848	774	597	295	180	0	40	5,207
Rent	2,750	3,365	1,485	719	1,213	366	0	142	10,040
Utilities	14,406	40,850	9,990	4,839	8,162	2,466	4,097	958	85,768
Maintenance of facilities	40,004	90,856	27,740	13,437	22,664	6,846	11,377	2,660	215,584
Offsite storage and document destruction	0	0	0	0	0	538	0	0	538
Multi-peril insurance	10,009	18,647	10,180	4,709	5,551	1,811	(2,279)	517	49,145
Service contracts	7,188	16,666	4,985	2,414	4,072	1,230	2,044	478	39,077
Purchased equipment	1,094	990	42,062	19	1,238	280	493	0	46,176
Interest expense	2,863	4,499	1,985	962	1,622	490	814	190	13,425
Printing and publications	16,863	14,905	12,352	2,890	5,570	2,367	767	1,455	57,169
Travel	87,360	165,357	93,763	11,513	39,155	8,844	0	1,125	407,117
Conferences and training	12,527	18,857	13,313	14,474	4,564	165	0	703	64,603
Special assistance	692,094	5,377	32,095	1,175	1,485,819	516,018	0	0	2,732,578
Professional dues	144	687	2,453	0	400	0	0	400	4,084
Miscellaneous	9,007	12,914	(156)	988	1,633	1,093	(62)	(35,688)	(10,271)
Recruitment expense	0	0	0	0	0	0	0	0	0
Bank fees	910	1,155	514	246	1,318	126	3,537	49	7,855
Taxes	103	161	71	35	58	18	29	7	482
Depreciation	53,411	83,946	37,037	17,940	30,260	9,141	19,066	3,552	254,353
TOTAL EXPENSES	\$ 2,906,540	\$ 3,773,673	\$ 2,542,562	\$ 1,330,639	\$ 2,605,695	\$ 929,834	\$ 391,801	\$ 76,289	\$ 14,557,033

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (cont'd)

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2017

	Supporting Services			Total
	Management & General	Fundraising Costs	Total Supporting Services	
EXPENSES				
Salaries	\$ 1,167,556	\$ 223,242	\$ 1,390,798	\$ 8,422,293
Employee benefits expense	281,456	23,060	304,516	1,558,146
Payroll taxes	107,278	21,876	129,154	788,691
Total Salaries and Related Expenses	1,556,290	268,178	1,824,468	10,769,130
Professional fees	246,784	46,073	292,857	1,363,985
Supplies	8,283	580	8,863	369,888
Telephone	3,181	4,167	7,348	204,636
Postage	1,542	609	2,151	7,358
Rent	2,099	357	2,456	12,496
Utilities	15,412	2,403	17,815	103,583
Maintenance of facilities	43,770	6,674	50,444	266,028
Offsite storage and document destruction	10,364	0	10,364	10,902
Multi-peril insurance	56,627	1,268	57,895	107,040
Service contracts	9,849	1,199	11,048	50,125
Purchased equipment	128,161	0	128,161	174,337
Interest expense	45,179	478	45,657	59,082
Printing and publications	24,438	17,325	41,763	98,932
Travel	42,927	3,266	46,193	453,310
Conferences and training	34,800	656	35,456	100,059
Special assistance	14,016	0	14,016	2,746,594
Professional dues	25,402	850	26,252	30,336
Miscellaneous	40,137	1,682	41,819	31,548
Recruitment expense	150	199	349	349
Bank fees	37,966	122	38,088	45,943
Taxes	20,561	17	20,578	21,060
Depreciation	53,830	8,910	62,740	317,093
TOTAL EXPENSES	\$ 2,421,768	\$ 365,013	\$ 2,786,781	\$ 17,343,814

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and public support	\$ 15,637,772	\$ 15,129,815
Cash received from other revenue	507,440	600,850
Cash paid to employees and vendors	(16,431,177)	(16,516,044)
Net cash used by operating activities	(285,965)	(785,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(973)	0
Proceeds from sale of fixed assets	4,000	31,580
Sales of investments	995,985	615,478
Purchases of investments	(643,277)	(446,372)
Net cash from investing activities	355,735	200,686
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	9,996,709	10,820,570
Payments on line of credit	(10,089,681)	(10,116,475)
Repayment of debt	(66,367)	(64,266)
Payments on capital lease obligations	(90,704)	(100,514)
Net cash from (used by) financing activities	(250,043)	539,315
NET CHANGE IN CASH	(180,273)	(45,378)
CASH		
Beginning of year	559,213	604,591
End of year	\$ 378,940	\$ 559,213
SUPPLEMENTAL DISCLOSURES:		
Interest paid	104,360	\$ 59,082
Taxes paid	\$ 0	\$ 0
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets acquired through capital leases	\$ 41,873	\$ 199,235

See accompanying notes to financial statements.

Note 1 Summary of Organization activities and significant accounting policies

Organization activities

Since 1884, Children & Families First Delaware Inc. has served Delawareans in need, with a mission to help families develop solutions to meet challenges and embrace opportunities. Its vision is communities where children are nurtured and safe, individuals are valued, and families are strong. Its programs cover the lifespan, including support to pregnant women and babies, foster care and adoption, advocacy for quality early care and education, and services for elders.

Principals of consolidation

The consolidated financial statements include the accounts of Children & Families First Delaware Inc. and its affiliated supporting organizations, B2W2 Inc., Children & Families First Endowments Inc. ("CFFE") and Supporting K.I.D.D.S., Inc. All significant inter-organization transactions and balances have been eliminated in consolidation.

B2W2 Inc.'s sole purpose is to act exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Children & Families First Delaware Inc., an organization described in Section 509(a)(2) of the Internal Revenue Code of 1986, as amended. In conformity with the foregoing, the activities of B2W2 Inc. are to provide facilities, vehicles and equipment to Children & Families First Delaware Inc. to be used in furtherance of its tax-exempt purpose.

CFFE's sole purpose is to act exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Children & Families First Delaware Inc., an organization described in Section 509(a)(2) of the Internal Revenue Code of 1986, as amended. The activities of CFFE are to hold and manage the endowment assets of Children & Families First Delaware Inc. Additionally, CFFE engages in a variety of fund raising activities which may include foundation, corporate and individual solicitations and special events. Proceeds from activities of the corporation are either reinvested in the endowment for future use by Children & Families First Delaware Inc. or distributed to Children & Families First Delaware Inc. to be used in furtherance of its tax-exempt purpose.

Supporting K.I.D.D.S., Inc.'s sole purpose is to support and educate bereaved children, their families, and the larger communities in which they live. Supporting K.I.D.D.S., Inc. offers an evolving menu of programs and services, both at the center and in collaboration with community groups. These include support groups, educational seminars, and consultations with professionals who work with children, a state-of-the-art lending library, information packets about children and grief, and referrals to related services. Supporting K.I.D.D.S., Inc was merged into the Organization effective February 1, 2018.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Financial statement presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles. ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations

The Organization's measure of operations includes all revenue and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from net assets with or without donor restrictions designated for long-term investment according to the Organization's spending policy. The measure of operations excludes support for non-operating and restricted operating activities.

Use of estimates in the preparation of financial statements

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Grants and accounts receivable

The Organization recognizes pledges as support in the period in which the unconditional promise to give is received.

The Organization estimates an allowance for doubtful accounts based on historical collection rates and an analysis of the collectability of individual receivables. The allowance for doubtful accounts for pledges, grants and accounts receivable was \$ 0 at December 31, 2018 and 2017.

Investments

Investments are report at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment gain or loss in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on mark-to-market value and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – unobservable inputs that cannot be corroborated by observable market data

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Contributions

Contributions received are recorded as net assets with donor restrictions or without donor restriction support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Depreciation	Rentable square feet

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of financial statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Donated services

Donated services are not recognized as revenues unless the services received create or enhance the value of a nonfinancial asset; or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No such amounts were received during 2018 or 2017. However, a number of volunteers have contributed their time to the Organization.

Income taxes

Children & Families First Delaware Inc. and Supporting K.I.D.D.S., Inc. are exempt from federal income tax under Internal Revenue Code Section 501(c)(3). Due to the merger with Children & Families First Delaware, Inc., Supporting K.I.D.D.S., Inc., filed a final tax return February 1, 2018. No further tax filings are required for Supporting K.I.D.D.S., Inc.

B2W2 Inc. and CFFE are exempt from federal income tax under Internal Revenue Code Section 509(a)(2). However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the consolidated financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties and interest as a result of such challenge. The Organization's federal exempt organization business income tax returns (Form 990) for 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

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**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Availability and liquidity

The following represents the Organization's financial assets at December 31, 2018 and 2017:

Financial assets at year end:	<u>2018</u>	<u>Restated 2017</u>
Cash	\$ 378,940	\$ 559,213
Grant and accounts receivable	2,058,529	3,005,844
Investments	<u>3,171,343</u>	<u>3,792,620</u>
Total financial assets	5,608,812	7,357,677
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,893,193	2,080,914
Quasi endowment established by the Board	<u>1,916,656</u>	<u>2,275,569</u>
	<u>3,809,849</u>	<u>4,356,483</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,798,963</u>	<u>\$ 3,001,194</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments. The Organization has a line of credit available to meet cash flow needs.

Note 2 Contracts and grants from governmental agencies

Children & Families First Delaware Inc., in the normal course of business, receives grants and enters into contracts for the performance of specific activities within certain budgetary constraints. Such projects are subject to various stipulations as to operating compliance and financial reporting. For substantially all of these programs, the expenditures are subject to review, audit and final approval by the contracting agency.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 3 Property and equipment and depreciation

Property and equipment are stated at cost, if purchased. Donated facilities and equipment are recorded at their fair values at the date of receipt. When such assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from their respective accounts and any gains or losses on such dispositions are recognized in the statement of activities. Children & Families First Delaware Inc.'s policy is to capitalize items with a cost equal to or greater than \$ 5,000. Expenditures for maintenance, repairs, minor renewals and betterments which do not improve or extend the useful life of the respective asset are expensed.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The following is a schedule of the estimated useful lives:

Land improvements	10 – 40 years
Buildings and improvements	10 – 40 years
Building equipment and furnishings	5 – 20 years
Office equipment	3 – 10 years
MIS implementation	5 years
Automobiles	5 years

Note 4 Investments

The following is a fair value summary of investments measured on a recurring basis at December 31, 2018 and 2017:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments – the fair value of Level 1 debt and equity securities is determined by reference to quoted market prices. The fair value of Level 2 equity securities is determined by using a market approach and reflects the fair value of a mutual fund's underlying securities divided by the number of shares that are outstanding within the fund.

Beneficial interest in perpetual trust – the fair value is estimated based on the fair value of the underlying assets in the trust.

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**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 4 Investments (cont'd)

Fair value of assets and liabilities measured on a recurring basis are as follows:

<u>December 31, 2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 113,711	\$ 113,711	\$ 0	\$ 0
Equity securities	1,673,770	1,673,770	0	0
Fixed income	1,117,317	1,117,317	0	0
Alternate investments	266,545	266,545	0	0
Beneficial interest in perpetual trust	3,970,568	0	0	3,970,568
	<u>\$ 7,141,911</u>	<u>\$ 3,171,343</u>	<u>\$ 0</u>	<u>\$ 3,970,568</u>
<u>December 31, 2017</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 95,589	\$ 95,589	\$ 0	\$ 0
Equity securities	1,894,378	1,894,378	0	0
Fixed income	1,536,961	1,536,961	0	0
Alternate investments	265,692	265,692	0	0
Beneficial interest in perpetual trust	4,445,325	0	0	4,445,325
	<u>\$ 8,237,945</u>	<u>\$ 3,792,620</u>	<u>\$ 0</u>	<u>\$ 4,445,325</u>

Beneficial interest in perpetual trust

January 1, 2018	\$ 4,445,325	January 1, 2017	\$ 4,092,744
Loss on investment	<u>(474,757)</u>	Gain on investment	<u>352,581</u>
December 31, 2018	<u>\$ 3,970,568</u>	December 31, 2017	<u>\$ 4,445,325</u>

Note 5 Endowment funds

The Organization's endowment consists of contributions from donors for the creation of a permanent endowment for general purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The assets are invested in the general investment portfolio of the agency, and all other accumulations are classified as net assets without donor restrictions, absent of explicit donor stipulations to the contrary. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 5 Endowment funds (cont'd)

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as a permanent endowment (a) to the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restricted net assets is classified as without donor restriction net assets to be utilized by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies.

All investment income in 2018 and 2017, net of investment management fees, was appropriately transferred into the without donor restrictions endowment fund based on the lack of donor restriction on use.

Return objectives and risk parameters

The Children & Families First Endowment Inc. Board of Directors and Children & Families First Delaware Inc. Finance Committee, with the assistance of the Organization investment advisor, operated in accordance with an investment policy statement that is intended to provide a predictable stream of income and investment returns. Under the policy guidelines, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing investment objectives, the Board of Directors, with the assistance of the Finance Committee, has taken into account the time horizon available for investment, the nature of the Organization's cash flow requirements, and other factors that affect the Board of Director's and Finance Committee's risk tolerance.

Strategy employed for achieving objectives

The Children & Families First Endowment Inc. Board of Directors and Children & Families First Delaware Inc. Finance Committee have adopted an investment objective of long-term growth for the invested assets. The investment guidelines emphasize long-term capital appreciation as a primary source of return, recognize that the assets are exposed to risk and may be subject to fluctuation in market value from year-to-year, expect to earn returns sufficient to grow the purchasing power of assets over the long-term, diversify the invested assets in order to reduce the risk of wide swings in market value from year to year or of incurring large losses that may result from concentrated positions, and achieve investment results over the long-term that compare favorably with other professionally managed portfolios and appropriate market indexes.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 5 Endowment funds (cont'd)

Strategy employed for achieving objectives (cont'd)

In addition, the Organization is a beneficiary of the Brown Trust, the Harlan Trust and the Alice Warner Foundation Trust, which are held and administered by outside fiscal agents. Under the terms of the trusts, the Organization has the irrevocable right to receive net investment income earned on the assets of the trusts in perpetuity, but will never receive the assets of these trusts. The Organization receives monthly income from these trusts. These distributions can be used in any way that is consistent with the Organization's exempt purpose. Distributions received during 2018 and 2017 totaled \$ 168,286 and \$ 188,834, respectively, and are included in net assets without donor restrictions.

Management estimates the fair value of its beneficial interest to approximate the fair value of the underlying assets of the trusts. As of December 31, 2018 and 2017, the estimated fair value of the trust assets was:

December 31,	2018		2017	
	<u>Amount</u>	<u>% owned</u>	<u>Amount</u>	<u>% owned</u>
Bertha Harlan Trust	\$ 50,287	33	\$ 55,550	33
Alice Warner Trust	149,594	14	167,026	14
H. Fletcher Brown Trust	<u>3,770,687</u>	100	<u>4,222,749</u>	100
Total fair value of beneficial interest	<u>\$ 3,970,568</u>		<u>\$ 4,445,325</u>	

Endowment net asset composition by type of fund as of December 31, 2018 are as follows:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, Beginning of year	\$ 2,275,569	\$ 5,069,148	\$ 7,344,717
Investment income	70,690	0	70,690
Net depreciation	(361,587)	(474,756)	(836,343)
Amount appropriated for expense	(16,669)	0	(16,669)
Transfers	<u>(51,347)</u>	<u>0</u>	<u>(51,347)</u>
Endowment net assets, End of year	<u>\$ 1,916,656</u>	<u>\$ 4,594,392</u>	<u>\$ 6,511,048</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 5 Endowment funds (cont'd)

Strategy employed for achieving objectives (cont'd)

Endowment net asset composition by type of fund as of December 31, 2017 are as follows:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total Net Endowment Assets</u>
Endowment net assets,			
Beginning of year	\$ 1,954,663	\$ 4,716,567	\$ 6,671,230
Investment income	71,877	0	71,877
Net appreciation	283,673	352,581	636,254
Amount appropriated for expense	(12,028)	0	(12,028)
Transfers	<u>(22,616)</u>	<u>0</u>	<u>(22,616)</u>
Endowment net assets,			
End of year	<u>\$ 2,275,569</u>	<u>\$ 5,069,148</u>	<u>\$ 7,344,717</u>

Note 6 Mortgage notes payable

Debt obligations consisted of the following at December 31:

	2018	2017
Variable rate mortgage at PNC Bank. The interest rate at December 31, 2018 and 2017 was 4.07%. Monthly payments vary; mortgage paid off in May 2019. Mortgage is collateralized by the Organization's building in Seaford, Delaware.	\$ 16,372	\$ 56,807
Variable rate mortgage at PNC Bank. The interest rate at December 31, 2018 and 2017 was 4.20%. Monthly payments vary; mortgage is due March 2021. Mortgage is collateralized by the Organization's building in Seaford, Delaware.	19,859	28,682
Fixed rate mortgage at M&T Bank. The interest rate at December 31, 2018 and 2017 was 3.49%. Monthly principal and interest payments are \$ 1,704; mortgage is due May 2023. Mortgage is collateralized by the Organization's building in Hockessin, Delaware.	<u>83,157</u>	<u>100,266</u>
	119,388	185,755
Less current portion	<u>(43,151)</u>	<u>(66,485)</u>
	<u>\$ 76,237</u>	<u>\$ 119,270</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 6 Mortgage notes payable (cont'd)

The following are maturities of the principal portion of mortgage notes payable for the next five years, thereafter and in the aggregate:

2019	\$ 43,151
2020	27,294
2021	21,338
2022	19,805
2023	7,800
Thereafter	<u>0</u>
	<u>\$ 119,388</u>

Interest expense totaled \$ 104,360 and \$ 59,082 for the years ended December 31, 2018 and 2017, respectively.

Note 7 Line of credit

The Organization has available a \$ 2,000,000 secured demand line of credit with PNC Bank at December 31, 2018. Interest is at the prime rate, 5.5% and 4.5% at December 31, 2018 and 2017, respectively. There were outstanding advances against the line of credit of \$ 1,696,152 and \$ 1,789,124 at December 31, 2018 and 2017, respectively. Advances and repayments on the line of credit were \$ 9,996,709 and \$ 10,089,681, respectively, for the year ended December 31, 2018 (\$ 10,820,570 and \$ 10,116,475, respectively, for the year ended December 31, 2017). The line of credit is secured by a lien on all business assets.

Subsequent to year-end, certain amendments were made to the line of credit agreement with PNC concerning additional security agreements, collateral and performance covenants.

Note 8 Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program expenses	<u>\$ 5,863,761</u>	<u>\$ 6,615,898</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors in the amount of \$ 1,296,662 and \$ 1,286,412 for the years ended December 31, 2018 and 2017, respectively.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 9 Pension plan

Children & Families First Delaware Inc. has a non-contributory defined benefit pension plan which provides benefits for all eligible employees through Wells Fargo Advisors. Benefits are based upon compensation and length of service. The Organization's funding policy is to contribute the minimum amount required by the Employee Retirement Income Security Act of 1974. On May 17, 2004, the Organization signed an amendment to freeze the accrued benefits under the plan. The plan was frozen effective June 30, 2004. This action does not affect benefits accrued through June 30, 2004.

Plan assets are allocated between fixed income and pooled equities.

In accordance with the FASB ASC section regarding employers' accounting for defined benefit pension and other post-retirement plans, entities are required to recognize a net liability or asset and an offsetting adjustment to changes in net assets without restrictions to report the funded status of defined benefit, pension and other post-retirement benefit plans. The section also requires prospective application. Additionally, entities are required to measure plan assets and obligations at their year-end statement of financial position date.

The Organization recognized the net gain or loss due to this application, plus the net cost benefit which created a (gain)/loss in the amount of \$ 185,408 and (\$ 61,137) in 2018 and 2017, respectively. Following is a summary of plan information provided by the consulting actuary:

	2018	2017
Change in projected benefit obligation		
Projected benefit obligation,		
beginning of year	\$ 3,292,797	\$ 3,044,463
Interest cost	112,328	112,328
Benefits paid	(233,362)	(134,441)
Actuarial (gain) loss	<u>(304,749)</u>	<u>270,447</u>
Projected benefit obligation, end of year	<u>2,867,014</u>	<u>3,292,797</u>
Change in plan assets:		
Fair value of plan assets,		
beginning of year	2,418,570	2,109,099
Employer contributions	147,393	168,060
Benefits paid	(233,362)	(134,441)
Administrative expenses	0	(11,928)
Actual return on plan assets	<u>(154,406)</u>	<u>287,780</u>
Fair value of plan assets, end of year	<u>2,178,195</u>	<u>2,418,570</u>
Funded status – benefit obligation in		
excess of plan assets (liability on		
statement of financial position)	<u>\$ 688,819</u>	<u>\$ 874,227</u>
Accumulated benefit obligation	<u>\$ 2,867,014</u>	<u>\$ 3,292,797</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 9 Pension plan (cont'd)

	2018	2017
Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions:		
Interest cost	\$ 117,048	\$ 112,328
Return on plan assets	(152,357)	(168,948)
Amortization of net loss	<u>161,244</u>	<u>177,920</u>
Total net periodic pension (gain) loss	<u>\$ 125,935</u>	<u>\$ (121,300)</u>

Amounts previously recognized in net assets without donor restrictions not yet recognized as periodic pension cost at December 31	<u>\$ 1,415,406</u>	<u>\$ 1,574,721</u>
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Benefits paid	<u>\$ 233,362</u>	<u>\$ 134,441</u>
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Weighted-average assumptions for year:

Discount rate	3.50 %	3.50 %
Rate of compensation increases	0.00 %	0.00 %
Expected long-term rate of return on plan assets	7.00 %	7.00 %

Weighted-average assumptions at end of year:

Discount rate	4.20 %	3.50 %
Rate of compensation increases	0.00 %	0.00 %
Expected long-term rate of return on plan assets	7.00 %	7.00 %
Measurement date	12/31	12/31

The estimated transition obligation, actuarial loss and prior service cost that will be amortized from changes in net assets without donor restrictions into the net periodic benefit cost over the next fiscal year are \$ 0, \$ 161,244, and \$ 0, respectively.

The Organization's expected long-term return on plan assets assumption is based on a periodic review of the plan's assets over a long-term horizon. Expectations of returns for each asset class are used in the review and are based on reviews of historical data and economic/financial market theory. The expected long-term rate of return on plan assets was selected from within a reasonable range of rates determined by (a) historical real returns for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

At December 31, 2018, plan assets were invested in cash and cash equivalents, mutual funds and stocks and comprised of approximately 3% cash and cash equivalents (Level 1), 59% equities (Level 1), and 38% mutual funds (Level 1). The Organization's target allocation was 50% equity securities, 20% fixed income securities and 30% alternative investments. There were holdings in three individual investments that were in excess of five percent of plan assets as of December 31, 2018.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 9 Pension plan (cont'd)

At December 31, 2017, plan assets were invested in cash and cash equivalents, mutual funds and stocks and comprised of approximately 4% cash and cash equivalents (Level 1), 60% equities (Level 1), and 36% mutual funds (Level 1). The Organization's target allocation was 50% equity securities, 20% fixed income securities and 30% alternative investments. There were holdings in one individual investment that was in excess of five percent of plan assets as of December 31, 2017.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The table below presents the balances of pension assets measured at fair value on a recurring basis, as of December 31, 2018 and 2017:

<u>December 31, 2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 64,959	\$ 64,959	\$ 0	\$ 0
Equities	1,276,854	1,276,854	0	0
Mutual funds	836,382	836,382	0	0
TOTAL	\$ 2,178,195	\$ 2,178,195	\$ 0	\$ 0
<u>December 31, 2017</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 101,846	\$ 101,846	\$ 0	\$ 0
Equities	1,457,706	1,457,706	0	0
Mutual funds	859,018	859,018	0	0
TOTAL	\$ 2,418,570	\$ 2,418,570	\$ 0	\$ 0

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 9 Pension plan (cont'd)

The Organization's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocations (shown above) by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with the like institutions employing similar investment strategies. The endowment committee meets annually to review the investment policy statement, and quarterly to review investment returns and actual asset allocations in relation to policy allocation limits. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

The Organization expects to contribute a minimum of \$ 139,346 to the pension plan in 2018. No plan assets are expected to be returned to the Organization during 2018.

The benefits expected to be paid for the next five years are as follows:

2019	\$ 148,000
2020	155,000
2021	160,000
2022	163,000
2023	<u>167,000</u>
Total	<u>\$ 793,000</u>

Note 10 Defined contribution plan

The Organization has a defined contribution plan covering all full-time employees. Employees who have one month of credited service and are at least 21 years of age are eligible to participate. Each year, participants may contribute up to amounts allowed under Internal Revenue Code Section 415, as defined in the plan. The Organization's matching contribution is based on a discretionary percentage, determined by the Organization, of each tier of a participant's elective deferrals or flat dollar amount allocated on a uniform basis to all participants, as determined by the Organization. Contributions are subject to certain limitations. Employer contributions to the plan for the years ended December 31, 2018 and 2017 were \$ 94,316 and \$ 106,042, respectively.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 11 Operating leases

The Organization leases vehicles and office equipment under various operating leases that expire through May 2020. Total lease payments amounted to \$ 39,308 and \$ 50,126 for the years ended December 31, 2018 and 2017, respectively.

The following is a schedule of minimum future rental payments under non-cancelable operating leasing arrangements having remaining terms in excess of one year as of December 31, 2018:

2019	\$ 43,191
2020	17,496
2021	0
2022	0
2023	<u>0</u>
Total	<u>\$ 60,687</u>

Note 12 Operating lease as lessor

The Organization leases out office space in Georgetown, Delaware under an operating lease. The original expiration date was August 31, 2013 with 2 renewal terms of 1 year each. Both were exercised, therefore the lease expired on August 31, 2015. A new lease was executed for a one year term, expiring on August 31, 2016. The new lease includes two renewal terms of one year each. Both were exercised, therefore the lease expired on August 31, 2018. For the years ended December 31, 2018 and 2017, the Organization received income from this lease of \$ 28,985 and \$ 25,741, respectively.

Note 13 Capital leases

The Organization has entered into lease agreements as a lessee for financing the acquisition of vehicles, computer equipment, and telephone system. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Vehicles – Enterprise, Inc.	\$ 352,853
Equipment – Cisco, Inc.	23,992
Equipment – STC, Inc.	309,181
Less: Accumulated amortization	<u>(495,500)</u>
Total	<u>\$ 190,526</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 13 Capital leases (cont'd)

Annual amortization is included in depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments for the remaining term as of December 31, 2018 were as follows:

2019	\$ 57,906
2020	57,906
2021	57,906
2022	39,784
2023	<u>5,508</u>
	219,010
Amount representing interest	<u>(25,094)</u>
Total	<u>\$ 193,916</u>

Note 14 Advertising expenses

The Organization expenses the production costs of advertising when incurred. Advertising expense totaled \$ 40,115 and \$ 46,573 during the years ended December 31, 2018 and 2017, respectively.

Note 15 Concentration of credit risk

The financial instrument which potentially subjects the Organization to significant concentrations of credit risk is cash.

The Organization's cash is maintained in bank deposit accounts with financial institutions that at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Note 16 Subsequent events

The date to which events occurring after December 31, 2018, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosures is June 25, 2019, which is the date on which the financial statements were available to be issued.

On January 4, 2019, the Organization sold the building and most of the building contents at 2005 Baynard Boulevard for \$ 385,550. The property and contents had a carrying value of \$ 177,418 as of December 31, 2018, and have been presented as Assets Held for Sale on the statement of financial position. The resulting gain can be recognized as of the date of the sale.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
(cont'd)**

CHILDREN & FAMILIES FIRST DELAWARE INC.

Note 17 Children & Families First Fund

The Children & Families First Fund ("CFF Fund") is an agreement between Children & Families First Delaware, Inc. ("The Organization") and the Delaware Community Foundation ("DCF") to establish a nonprofit endowment fund. The funds are administered and invested in the DCF, a commingled investment fund for the benefit of the Organization.

The funds are distributed to the Organization in accordance with the terms of the agreement. There were no distributions received by the Organization for the years ended December 31, 2018 and 2017.

As of December 31, 2018 and 2017, DCF held the following balances designated for DCF:

<u>2018</u>	<u>2017</u>
\$ 17,891	\$ 19,501

The above assets are excluded from the financial statements since the DCF holds variance power over the use of such assets.

Note 18 Restatement

During the year, it was determined that the elimination entries posted in the prior year were incorrect. Additional intercompany receivables and payables should have been eliminated. As a result, the consolidated financial statements were restated as of December 31, 2017. There was no effect on the change in net assets for the year ended December 31, 2017; however, the statement of financial position was restated as follows:

	<u>Originally stated December 31, 2017</u>	<u>Adjustment</u>	<u>Restated December 31, 2017</u>
Grants and accounts receivable	<u>\$ 3,599,927</u>	<u>\$ (594,083)</u>	<u>\$ 3,005,844</u>
Accounts payable	<u>\$ 944,571</u>	<u>\$ (594,083)</u>	<u>\$ 350,488</u>

SUPPLEMENTARY INFORMATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

CHILDREN & FAMILIES FIRST
DELAWARE INC.

DECEMBER 31, 2018

	Children & Families First Delaware Inc.	Children & Families First Endowment Inc.	B2W2 Inc.	Supporting K.I.D.D.S., Inc.	Elimination Entries	Consolidated Balances
CURRENT ASSETS						
Cash and equivalents	\$ 373,289	\$ 0	\$ 5,651	\$ 0	\$ 0	\$ 378,940
Accounts receivable	16,919	7,389	1,134,648	0	(1,132,558)	26,398
Grants receivable	2,572,306	0	0	0	(540,175)	2,032,131
Prepaid expenses	130,342	0	0	0		130,342
Total Current Assets	3,092,856	7,389	1,140,299	0	(1,672,733)	2,567,811
OTHER ASSETS						
Investments	298,982	2,664,423	207,938	0		3,171,343
Beneficial interest in perpetual trusts	3,970,568	0	0	0		3,970,568
	4,269,550	2,664,423	207,938	0	0	7,141,911
PROPERTY AND EQUIPMENT						
Land and improvements	0	0	473,687	0		473,687
Building and improvements	0	0	5,561,911	0		5,561,911
Automobiles	220,963	0	352,854	0		573,817
Building equipment and furnishings	87,439	0	737,160	0		824,599
Office and MIS equipment	309,371	0	161,682	0		471,053
	617,773	0	7,287,294	0	0	7,905,067
Accumulated depreciation	617,773	0	4,109,403	0		4,727,176
Property and equipment, net	0	0	3,177,891	0	0	3,177,891
ASSET HELD FOR SALE	0	0	177,418	0	0	177,418
	<u>\$ 7,362,406</u>	<u>\$ 2,671,812</u>	<u>\$ 4,703,546</u>	<u>\$ 0</u>	<u>\$ (1,672,733)</u>	<u>\$ 13,065,031</u>
CURRENT LIABILITIES						
Line of credit	\$ 1,696,152	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,696,152
Mortgage and notes payable	0	0	43,151	0		43,151
Accounts payable	1,064,721	131,333	553,614	0	(1,672,733)	76,935
Accrued expenses	130,411	0	(522)	0		129,889
Capital lease payable	0	0	47,329	0		47,329
Deferred revenue	306,804	0	0	0		306,804
Total Current Liabilities	3,198,088	131,333	643,572	0	(1,672,733)	2,300,260
LONG TERM LIABILITIES						
Pension liability	688,819	0	0	0		688,819
Capital lease payable	0	0	146,587	0		146,587
Mortgage and notes payable	0	0	76,237	0		76,237
Total Long Term Liabilities	688,819	0	222,824	0	0	911,643
Total Liabilities	3,886,907	131,333	866,396	0	(1,672,733)	3,211,903
NET ASSETS						
Without donor restrictions						
Without donor restrictions - general use	(1,764,439)	0	3,837,150	0		2,072,711
Without donor restrictions - endowment	0	1,916,656	0	0		1,916,656
Total without donor restrictions	(1,764,439)	1,916,656	3,837,150	0	0	3,989,367
With donor restrictions	5,239,938	623,823	0	0		5,863,761
Total Net Assets	3,475,499	2,540,479	3,837,150	0	0	9,853,128
Total Liabilities and Net Assets	<u>\$ 7,362,406</u>	<u>\$ 2,671,812</u>	<u>\$ 4,703,546</u>	<u>\$ 0</u>	<u>\$ (1,672,733)</u>	<u>\$ 13,065,031</u>

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

CHILDREN & FAMILIES FIRST
DELAWARE INC.

DECEMBER 31, 2017

	Children & Families First Delaware Inc.	Children & Families First Endowment Inc.	B2W2 Inc.	Supporting K.I.D.D.S. Inc.	Elimination Entries	Consolidated Balances
CURRENT ASSETS						
Cash and equivalents	\$ 402,912	\$ 0	\$ 21,275	\$ 135,026	\$ 0	\$ 559,213
Accounts receivable	281,652	7,389	578,116	84,837	(854,241)	97,753
Grants receivable	2,929,265	0	0	0	(21,174)	2,908,091
Prepaid expenses	130,648	0	0	0		130,648
Total Current Assets	3,744,477	7,389	599,391	219,863	(875,415)	3,695,705
OTHER ASSETS						
Investments	293,742	2,913,177	585,701	0		3,792,620
Beneficial interest in perpetual trusts	4,445,325	0	0	0		4,445,325
	4,739,067	2,913,177	585,701	0	0	8,237,945
PROPERTY AND EQUIPMENT						
Land and improvements	0	0	594,855	0		594,855
Building and improvements	0	0	6,263,041	0		6,263,041
Automobiles	220,963	0	310,981	0		531,944
Building equipment and furnishings	27,160	0	1,154,336	60,279		1,241,775
Office and MIS equipment	309,371	0	161,682	0		471,053
	557,494	0	8,484,895	60,279	0	9,102,668
Accumulated depreciation	557,494	0	4,845,522	60,279		5,463,295
Property and equipment, net	0	0	3,639,373	0	0	3,639,373
	\$ 8,483,544	\$ 2,920,566	\$ 4,824,465	\$ 219,863	\$ (875,415)	\$ 15,573,023
CURRENT LIABILITIES						
Line of credit	\$ 1,789,124	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,789,124
Mortgage and notes payable	0	0	66,485	0		66,485
Accounts payable	787,947	21,174	292,087	124,695	(875,415)	350,488
Accrued expenses	151,764	0	0	0		151,764
Capital lease payable	0	0	89,978	0		89,978
Deferred revenue	663,822	0	0	0		663,822
Total Current Liabilities	3,392,657	21,174	448,550	124,695	(875,415)	3,111,661
LONG TERM LIABILITIES						
Pension liability	874,227	0	0	0		874,227
Capital lease payable	0	0	152,769	0		152,769
Mortgage and notes payable	0	0	119,270	0		119,270
Total Long Term Liabilities	874,227	0	272,039	0	0	1,146,266
Total Liabilities	4,266,884	21,174	720,589	124,695	(875,415)	4,257,927
NET ASSETS						
Without donor restrictions						
Without donor restrictions - general use	(1,685,756)	0	4,103,876	5,509		2,423,629
Without donor restrictions - endowment	0	2,275,569	0	0		2,275,569
Total without donor restrictions	(1,685,756)	2,275,569	4,103,876	5,509	0	4,699,198
With donor restrictions	5,902,416	623,823	0	89,659		6,615,898
Total Net Assets	4,216,660	2,899,392	4,103,876	95,168	0	11,315,096
Total Liabilities and Net Assets	\$ 8,483,544	\$ 2,920,566	\$ 4,824,465	\$ 219,863	\$ (875,415)	\$ 15,573,023

CONSOLIDATING SCHEDULE OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

CHILDREN & FAMILIES FIRST
DELAWARE INC.

	Children & Families First Delaware Inc.		Children & Families First Endowment Inc.		B2W2	Supporting K.I.D.S., Inc.		Elimination Entries	Consolidated Balances
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
PUBLIC SUPPORT AND REVENUE									
Public support:									
Received directly									
Contributions and bequests	253,796	788,719	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,042,515
Received indirectly									
Allocation by United Way of Delaware, Inc.	24,532	230,562	0	0	0	0	0	0	255,094
Fundraisers	170,667	0	0	0	0	0	0	0	170,667
Less: Direct expenses	(55,188)	0	0	0	0	0	0	0	(55,188)
Governmental agencies	13,144,422	0	0	0	0	0	0	0	13,144,422
Other grants	594,235	0	0	0	0	0	0	0	594,235
Other revenue:									
Fees for services - referrals	157,635	0	0	0	0	0	0	0	157,635
Programs service fees	320,068	0	0	0	0	0	0	(276,958)	43,110
Investment income	179,387	0	70,690	0	11,558	0	0	0	261,635
Rent income	0	0	0	0	641,298	0	0	(612,313)	28,985
Other	16,075	0	0	0	59,902	0	0	(59,902)	16,075
Total Public Support and Revenue Before Net Assets Released from Restrictions	14,805,629	1,019,281	70,690	0	712,758	0	0	(949,173)	15,659,185
NET ASSETS RELEASED FROM RESTRICTION	1,296,662	(1,296,662)	0	0	0	0	0	0	0
TOTAL PUBLIC SUPPORT AND REVENUE	16,102,291	(277,381)	70,690	0	712,758	0	0	(949,173)	15,659,185
EXPENSES									
Program services:									
Positive parenting	2,474,790	0	0	0	143,178	0	0	(145,594)	2,472,374
Supporting teens	3,454,531	0	0	0	215,039	0	0	(215,003)	3,454,567
Healthy babies	2,857,184	0	0	0	187,416	0	0	(190,850)	2,853,750
Family resources	1,553,623	0	0	0	57,629	0	0	(58,336)	1,552,916
Early childhood	2,450,220	0	0	0	104,813	0	0	(104,417)	2,450,616
Older adults	4,678	0	0	0	673	0	0	(662)	4,689
Workplace supports	516,537	0	0	0	7,738	0	0	(7,794)	516,481
Grief counseling	328,075	0	0	0	13,278	0	0	(14,531)	326,822
Program quality and helpline	77,080	0	0	0	9,059	0	0	(9,896)	76,243
Total Program Services	13,716,718	0	0	0	738,823	0	0	(747,083)	13,708,458
Support services:									
Management and general	2,401,210	0	16,669	0	153,394	0	0	(162,555)	2,408,718
Fundraising	345,829	0	0	0	34,153	0	0	(39,535)	340,447
Total Support Services	2,747,039	0	16,669	0	187,547	0	0	(202,090)	2,749,165
TOTAL EXPENSES	16,463,757	0	16,669	0	926,370	0	0	(949,173)	16,457,623
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(361,466)	(277,381)	54,021	0	(213,612)	0	0	0	(798,438)
NONOPERATING ACTIVITY									
Periodic pension gain	185,408	0	0	0	0	0	0	0	185,408
Realized/unrealized loss on investments	(4,808)	0	(361,587)	0	(11,987)	0	0	0	(378,182)
Loss on beneficial interest in perpetual trusts	0	(474,756)	0	0	0	0	0	0	(474,756)
Gain on sale of fixed assets	4,000	0	0	0	0	0	0	0	4,000
Transfers	92,474	0	(51,347)	0	(41,127)	0	0	0	0
Total Nonoperating Activities	277,274	(474,756)	(412,934)	0	(53,114)	0	0	0	(653,530)
CHANGE IN NET ASSETS	(84,192)	(752,137)	(358,913)	0	(266,726)	0	0	0	(1,461,968)
NET ASSETS									
Beginning of year	(1,685,756)	5,902,416	2,275,569	623,823	4,103,876	5,509	89,659	0	11,315,096
Transfers	5,509	89,659	0	0	0	(5,509)	(89,659)	0	0
End of year	\$ (1,764,439)	\$ 5,239,938	\$ 1,916,656	\$ 623,823	\$ 3,837,150	\$ 0	\$ 0	\$ 0	\$ 9,853,128

CONSOLIDATING SCHEDULES OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

CHILDREN & FAMILIES FIRST
DELAWARE INC.

	Children & Families First Delaware Inc.		Children & Families First Endowment Inc.		B2W2	Supporting K.I.D.D.S. Inc.		Elimination Entries	Consolidated Balances
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
REVENUES, GAINS, AND OTHER SUPPORT:									
Public support:									
Received directly									
Contributions and bequests	\$ 222,351	\$ 974,888	\$ 0	\$ 0	\$ 0	\$ 34,269	\$ 5,900	\$ 0	\$ 1,237,408
Received indirectly									
Allocation by United Way of Delaware, Inc.	149,879	332,878	0	0	0	6,223	0	0	488,980
Fundraisers	118,326	0	0	0	0	83,390	0	0	201,716
Less: Direct expenses	(101,557)	0	0	0	0	0	0	0	(101,557)
Governmental agencies	13,161,137	0	0	0	0	132,949	0	0	13,294,086
Other grants	758,940	0	0	0	0	0	0	0	758,940
Other revenue:									
Fees for services - referrals	182,956	0	0	0	0	0	0	0	182,956
Programs service fees	45,262	0	0	0	0	12,640	0	0	57,902
Investment income	197,639	0	71,877	0	19,389	0	0	0	288,905
Rent income	0	0	0	0	835,968	0	0	(810,227)	25,741
Other	39,055	0	0	0	48,832	6,291	0	(48,832)	45,346
Net assets released from restrictions	1,269,626	(1,269,626)	0	0	0	16,786	(16,786)	0	0
NET ASSETS RELEASED FROM RESTRICTION									
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	16,043,614	38,140	71,877	0	904,189	292,548	(10,886)	(859,059)	16,460,423
EXPENSES AND LOSSES:									
Program services:									
Positive parenting	2,913,568	0	0	0	177,974	0	0	(185,000)	2,906,540
Supporting teens	3,713,835	0	0	0	279,719	0	0	(219,881)	3,773,673
Healthy babies	2,521,791	0	0	0	123,412	0	0	(102,641)	2,542,562
Family resources	1,317,563	0	0	0	59,779	0	0	(46,703)	1,330,639
Early childhood	2,584,317	0	0	0	100,831	0	0	(79,453)	2,605,695
Workplace supports	924,043	0	0	0	30,459	0	0	(24,668)	929,834
Grief Counseling	0	0	0	0	50,615	341,186	0	0	391,801
Program quality and helpline	74,560	0	0	0	11,835	0	0	(10,106)	76,289
Total Program Services	14,049,675	0	0	0	834,624	341,186	0	(668,452)	14,557,033
Support services:									
Management and general	2,387,169	0	12,028	0	174,495	0	0	(151,924)	2,421,768
Fundraising	374,005	0	0	0	29,691	0	0	(38,683)	365,013
Total Support Services	2,761,174	0	12,028	0	204,186	0	0	(190,607)	2,786,781
TOTAL EXPENSES AND LOSSES	16,810,849	0	12,028	0	1,038,810	341,186	0	(859,059)	17,343,814
CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITY	(767,235)	38,140	59,849	0	(134,621)	(48,638)	(10,886)	0	(863,391)
NONOPERATING ACTIVITY									
Periodic pension loss	61,137	0	0	0	0	0	0	0	61,137
Realized/unrealized gain (loss) on investments	9,487	0	283,673	0	5,665	0	0	0	298,825
Gain on beneficial interest in perpetual trusts	0	352,581	0	0	0	0	0	0	352,581
Gain on sale of fixed assets	31,580	0	0	0	0	0	0	0	31,580
Transfers	44,198	0	(22,616)	0	(21,582)	0	0	0	0
Total Nonoperating Activities	146,402	352,581	261,057	0	(15,917)	0	0	0	744,123
CHANGE IN NET ASSETS	(620,833)	390,721	320,906	0	(150,538)	(48,638)	(10,886)	0	(119,268)
NET ASSETS									
Beginning of year	(1,064,923)	5,511,695	1,954,663	623,823	4,254,414	54,147	100,545	0	11,434,364
End of year	\$ (1,685,756)	\$ 5,902,416	\$ 2,275,569	\$ 623,823	\$ 4,103,876	\$ 5,509	\$ 89,659	\$ 0	\$ 11,315,096

SINGLE AUDIT INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board
Children & Families First Delaware Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children & Families First Delaware Inc., which comprise the consolidated statement of financial position as of December 31, 2018, and the related statements of operations, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Children & Families First Delaware Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children & Families First Delaware Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Children & Families First Delaware Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children & Families First Delaware Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wilmington, Delaware
June 25, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Children & Families First Delaware Inc.

Report on Compliance for Each Major Federal Program

We have audited Children & Families First Delaware Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Children & Families First Delaware Inc.'s major federal programs for the year ended December 31, 2018. Children & Families First Delaware Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Children & Families First Delaware Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Children & Families First Delaware Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Children & Families First Delaware Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Children & Families First Delaware Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2018-002. Our opinion on each major federal program is not modified with respects to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Children & Families First Delaware Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Children & Families First Delaware Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Children & Families First Delaware Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-02 that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gunnip & Company LLP".

Wilmington, Delaware
June 25, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND CERTAIN STATE GRANTS

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 1/1/2018	REVENUE RECOGNITION	EXPENDITURES	EXPENDITURES TO SUBRECIPIENTS	ACCRUED (DEFERRED) REVENUE 12/31/2018
U.S. Department of Agriculture									
Passed through Delaware Department of Education									
Child & Adult Care Food Program	I	10.558	10/01/17-09/30/18	1,137,318	119,337	1,017,981	1,017,981	954,382	-
Child & Adult Care Food Program	I	10.558	10/01/18-09/30/19	367,209	-	475,661	475,661	242,826	108,452
Total CFDA #10.558				1,504,527	119,337	1,493,642	1,493,642	1,197,208	108,452
Milton Elementary School (Cape Henlopen School District)	S	N/A	01/08/14-06/30/19	41,779	(39,009)	15,090	15,090	-	(65,698)
Red Clay Consolidated School District - Strengthening Families Parent Enrichment Classes	S	N/A	09/01/18-07/31/19	7,679	-	6,741	6,741	-	(938)
				49,458	(39,009)	21,831	21,831	-	(66,636)
Red Clay Consolidated School District - Warner	I	84.377	11/01/13-09/30/19	215,807	120,000	101,528	101,528	-	5,921
Red Clay Consolidated School District - Shortlidge	I	84.010	11/01/13-09/30/19	198,607	108,835	114,586	114,586	-	24,814
Total Delaware Department of Education				1,968,199	309,163	1,731,587	1,731,587	1,197,208	72,551
U.S. Department of Justice									
Passed through Delaware Criminal Justice Council									
VOCA Victim Assistance Funds	I	16.575	10/01/16-09/30/18	39,174	-	39,174	39,174	-	-
VOCA Victim Assistance Funds	I	16.575	10/01/18-09/30/19	66,741	-	109,453	109,453	-	42,712
VOCA Victim Assistance Funds	I	16.575	07/01/18-06/30/19	11,035	-	52,923	52,923	-	41,888
Total CFDA #16.575				116,950	-	201,550	201,550	-	84,600
Functional Family Therapy for Re-Entry Youth (2016-PF-Passthru-1544)	S	N/A	11/01/16-12/31/18	113,720	13,067	128,858	128,858	-	28,205
Total Delaware Criminal Justice Council				230,670	13,067	330,408	330,408	-	112,805
U.S. Department of Health and Human Services									
ACYF - Children's Bureau	D	93.087	09/30/17-09/29/18	316,450	35,898	280,552	280,552	-	-
ACYF - Children's Bureau	D	93.087	09/30/18-09/29/19	145,589	-	156,883	156,883	-	11,284
Total CFDA #93.087				462,049	35,898	437,435	437,435	-	11,284
Passed through Delaware Department of Health and Social Services									
Aging & Disability	S	N/A	07/01/17-06/30/18	20,466	4,548	15,918	15,918	-	-
Aging & Disability	S	N/A	07/01/18-06/30/19	6,822	-	11,175	11,175	-	4,353
Total CFDA #93.048				27,288	4,548	27,093	27,093	-	4,353
Family Planning - Service	I	93.217	04/01/17-03/31/18	-	38,586	-	-	-	38,586
Family Planning - Service	I	93.217	04/01/18-03/31/19	4,016	-	1,920	1,920	-	(2,096)
Total CFDA #93.217				4,016	38,586	1,920	1,920	-	36,490
Child Care and Development Block Grant	I	93.575	10/01/17-09/30/18	105,184	21,345	86,654	86,654	-	2,815
Child Care and Development Block Grant	I	93.575	10/01/18-09/30/19	-	(15,104)	52,411	52,411	-	37,307
Child Care and Development Block Grant	I	93.575	10/01/17-09/30/18	242,565	43,602	207,133	207,133	136,707	8,170
Child Care and Development Block Grant	I	93.575	10/01/18-09/30/19	33,926	(21,951)	96,551	96,551	9,784	40,674
Child Care and Development Block Grant	I	93.575	04/05/17-06/29/19	38,600	-	38,600	38,600	29,649	-
Total CFDA #93.575				420,275	27,892	481,349	481,349	176,140	88,966
Passed through Delaware Department of Health and Social Services									
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	I	93.505/93.870	07/01/17-06/30/18	44,558	-	44,558	44,558	-	-
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	I	93.505/93.870	10/15/17-03/31/18	316,487	-	316,487	316,487	-	-
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	I	93.505/93.870	03/01/18-10/14/18	386,795	130,306	266,489	266,489	-	-
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	I	93.505/93.870	09/01/18-08/31/19	511,913	-	623,872	623,872	-	111,959
Total CFDA #93.505				1,269,753	130,306	1,251,406	1,251,406	-	111,959

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND CERTAIN STATE GRANTS

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 1/1/2018	REVENUE RECOGNITION	EXPENDITURES	EXPENDITURES TO SUBRECIPIENTS	ACCRUED (DEFERRED) REVENUE 12/31/2018
U.S. Department of Health and Human Services (cont'd)									
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	S	N/A	07/01/17-6/30/18	636,889	124,672	512,217	512,217	-	-
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	S	N/A	07/01/18-6/30/19	609,161	-	660,353	660,353	-	51,192
Nurse Family Partnership - Healthy Women Healthy Babies	S	N/A	07/01/18-06/30/19	6,137	-	10,634	10,634	-	4,497
Nurse Family Partnership - Perinatal/Preconception	S	N/A	07/01/18-06/30/19	40,159	-	68,451	68,451	-	28,292
Early Childhood Home Visiting Program	S	N/A	07/01/18-06/30/19	6,137	-	6,137	6,137	-	-
DSAHM-Gov't Grants (Additional HFA Staffing)	S	N/A	07/01/18-06/30/19	-	-	24,727	24,727	-	24,727
DPH Partner Costs-Gov't Grants (Peer Recovery Coaches)	S	N/A	07/01/18-06/30/19	-	-	46,570	46,570	-	46,570
Nurse Family Partnership	S	N/A	07/01/17-06/30/18	13,284	3,029	10,255	10,255	-	-
Nurse Family Partnership	S	N/A	07/01/18-06/30/19	15,288	-	17,678	17,678	-	2,390
FAIR	S	N/A	06/30/16-06/30/19	760,418	63,118	894,084	894,084	-	196,784
Total Delaware Department of HSS				3,808,805	392,151	4,012,874	4,012,874	176,140	596,220
Total U.S. Department of Health and Human Services				4,270,854	428,049	4,450,309	4,450,309	176,140	607,504
Passed through Delaware Department of Children Youth and Their Families									
Stephanie Tubbs Jones Child Welfare Services	S	N/A	07/01/17-06/30/18	225,927	32,992	192,935	192,935	-	-
Stephanie Tubbs Jones Child Welfare Services	S	N/A	06/30/18-06/30/20	148,438	-	179,241	179,241	-	30,803
Total Delaware Department of Children Youth and Their Families				374,365	32,992	372,176	372,176	-	30,803
Passed through Delaware Department of Health and Social Services, Division of Family Services, Office of Prevention									
Intensive Homebased Family Support and Parent Aide	S	N/A	07/01/17-06/30/18	17,319	84,708	17,319	17,319	-	84,708
Intensive Homebased Family Support and Parent Aide	S	N/A	07/01/18-06/30/19	135,261	-	81,970	81,970	-	(53,291)
Total CFDA #93.667				152,580	84,708	99,289	99,289	-	31,417
Family Search and Engagement	S	N/A	07/01/17-06/30/18	1,414	-	-	-	-	-
Family Search and Engagement	S	N/A	07/01/18-06/30/20	29,517	-	43,304	43,304	-	13,787
Foster Care	S	N/A	07/01/17-06/30/18	823,144	296,820	526,324	526,324	324,891	-
Foster Care	S	N/A	07/01/18-06/30/20	787,186	-	1,036,339	1,036,339	284,820	249,153
Special Needs Adoption	S	N/A	07/01/17-06/30/18	260,948	52,355	212,703	212,703	-	4,110
Special Needs Adoption	S	N/A	07/01/18-06/30/20	198,163	-	231,236	231,236	-	33,073
Total Delaware Department of Health and Social Services, Division of Family Services, Office of Prevention				2,100,372	350,589	2,049,906	2,049,906	609,811	300,123
Child Mental Health									
Seaford House RTC	S	N/A	07/01/16-06/30/20	2,339,713	616,472	1,887,549	1,887,549	-	164,308
Intensive Outpatient	S	N/A	07/01/17-06/30/20	542,898	322,299	592,898	592,898	-	372,299
Total Child Mental Health				2,882,611	938,771	2,480,447	2,480,447	-	536,607

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND CERTAIN STATE GRANTS

CHILDREN & FAMILIES FIRST
DELAWARE INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	TOTAL RECEIVED FOR YEAR	ACCRUED REVENUE 1/1/2018	REVENUE RECOGNITION	EXPENDITURES	EXPENDITURES TO SUBRECIPIENTS	ACCRUED (DEFERRED) REVENUE 12/31/2018
U.S. Department of Education									
Fund for the Improvement of Education	D	84.215	10/01/17-09/30/18	333,197	68,764	284,433	264,433	-	-
Fund for the Improvement of Education	D	84.215	10/01/18-09/30/19	185,803	-	221,657	221,657	-	38,054
Total CFDA #84.215				518,800	68,764	486,090	486,090	-	38,054
Passed through Delaware Department of Education									
Twenty-First Century Community Learning Center	I	84.287	05/01/13-04/30/14	-	(33,572)	-	-	-	(33,572)
Total Delaware Department of Education				-	(33,572)	-	-	-	(33,572)
Passed through University of Delaware									
Delaware Stars	S	N/A	07/01/17-06/30/18	358,986	236,759	122,227	122,227	-	-
Delaware Stars	S	N/A	07/01/18-06/30/19	515,243	-	583,381	583,381	-	68,138
Total University of Delaware				874,229	236,759	705,608	705,608	-	68,138
Passed through Christina School District									
Christina School District	S	N/A	08/10/17-07/31/18	236,623	151,897	84,726	84,726	-	-
Christina School District	S	N/A	08/14/18-07/31/19	148,720	-	298,524	298,524	-	149,803
Christina School District-Mt. Pleasant Elementary	S	N/A	08/01/17-07/31/19	34,551	3,505	55,352	55,352	-	24,306
Total Christina School District				419,894	155,402	438,602	438,602	-	174,109
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS				\$ 14,456,705	\$ 2,584,692	\$ 13,144,422	\$ 13,144,422	\$ 1,983,159	\$ 1,936,539
TOTAL FEDERAL AWARDS				\$ 4,710,584	\$ 616,046	\$ 4,569,506	\$ 4,569,506	\$ 1,373,348	\$ 474,968
TOTAL STATE GRANTS				9,746,121	1,968,646	8,574,916	8,574,916	609,811	1,461,571
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS				\$ 14,456,705	\$ 2,584,692	\$ 13,144,422	\$ 13,144,422	\$ 1,983,159	\$ 1,936,539

Source Code:

I - Indirect Funding
D - Direct Funding
S - State Funding

**NOTES TO SCHEDULE OF
EXPENDITURES OF FEDERAL
AWARDS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Note A Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Children & Families First Delaware Inc. under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Children & Families First Delaware Inc., it is not intended to and does not present the financial position, change in net assets or cash flows of Children & Families First Delaware Inc.

Note B Summary of significant accounting principles

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C Summary of significant accounting principles

Children & Families First Delaware Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Audit Results

Consolidated Financial Statements

Type of auditors' report issued:

unmodified opinion

Internal control over financial reporting:

Material weaknesses?

 X yes no

Significant deficiencies in internal control over
financial reporting?

 yes X no

Noncompliance material to financial statements
noted?

 yes X no

Federal Awards

Internal Control over major programs:

Material weaknesses?

 yes X no

Significant deficiencies in internal control over
financial reporting?

 X yes no

Type of auditors' report issued on compliance
for major programs:

unmodified opinion

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

 X yes no

Major Programs:

<u>CFDA/ Contract Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program
93.087	ACYF – Children's Bureau

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

Reference Number: 2018-001
Type of Finding: Material Weakness
Cutoff of Cash Receipts

Condition

During our audit procedures, we noted cash receipts received in January 2019 recorded as deposits-in-transit in December 2018.

Criteria

Internal controls should be in place that provide reasonable assurance that there are adequate safeguards over cash to ensure that cash transactions are properly accounted for in the appropriate period.

Cause

Procedures are not properly in place to review bank reconciliations and deposits-in-transit to ensure material deposits are accounted for in their proper period.

Effect

Because of the failure to review deposits-in-transit, a deposit that was dated January 4, 2019 was improperly recorded to cash in December 2018 which resulted in cash and the change in net assets being overstated by \$ 360,414 at year-end.

Recommendation

Procedures should be implemented requiring management's review of cash deposits. We suggest additional controls be added to the review of bank reconciliations in order to review deposits-in-transit and account for transactions in their proper period.

Views of Responsible Officials and Planned Corrective Actions

See attached for Organization's Corrective Action Plan.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Agency: U.S. Department of Agriculture
Reference Number: 2018-002
Program: Child and Adult Care Food Program (10.558)
Type of Finding: Significant Deficiency, Noncompliance
Compliance Requirement: Other Matters

Criteria, Condition and Context

2 CFR 200.512 states that the auditee must electronically submit to the Federal Audit Clearinghouse the data collection form and the Single Audit reporting package within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

The submission of the data collection form and Single Audit reporting package for the fiscal year ended December 31, 2017 was not submitted within 30 calendar days after receipt of the auditor's report.

Questioned costs

There are no questioned costs related to this finding.

Effect

The Organization was not in compliance with the data collection form and Single Audit reporting submission requirement.

Cause

Due to oversight of management the data collection form and Single Audit reporting package was not submitted timely to Federal Audit Clearinghouse.

Recommendation

The Organization should strengthen its controls to ensure that the data collection form and Single Audit reporting package is electronically submitted to the Federal Audit Clearinghouse in a timely manner.

Views of responsible officials and planned corrective actions:

See attached for Organization's Corrective Action Plan.

**SUMMARY STATUS OF PRIOR YEAR
AUDIT FINDINGS**

CHILDREN & FAMILIES FIRST DELAWARE, INC.

Section IV – Status of Prior Year Findings

Reference Number: 2017-001
Type of Finding: Material Weakness
Timely Deposits of Cash Receipts

Condition

During our audit procedures, we noted that several cash receipts received near year end were not promptly deposited. We suggested that deposits involving a substantial amount of currency be made on the day the cash is received. This will avoid the possible mishandling or misplacement of funds.

Criteria

Internal controls should be in place that provide reasonable assurance that there are adequate safeguards over cash to ensure that material cash deposits are properly deposited timely to the bank.

Recommendation

We recommended that procedures should be implemented requiring management's review of cash deposits including inspection of company safe.

Current status

This is not a current year finding.



Children & Families First Delaware, Inc.

Corrective Action Plan

June 25, 2019

Federal Agency: U. S. Department Of Agriculture

Program: Child and Adult Care Food Program (10.558)

Children & Families First Delaware Inc. respectfully submits the following corrective action plan for the year ended December 31, 2018.

The audit was performed by: Gunnip & Company LLP
Little Falls Centre Two
2751 Centerville Road
Suite 300
Wilmington, DE 19808-1627

Audit Period: January 1st 2018 to December 31st, 2018

The findings from the year ended December 31, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

I. FINDINGS—FINANCIAL STATEMENT AUDIT

TYPE OF FINDING: Material Weakness—Cutoff of Cash Receipts

REFERENCE NUMBER: 2018-001

CONDITION: Cash receipts received in January 2019 were recorded as deposits-in-transit in December 2018.

RECOMMENDATION: Procedures should be implemented requiring management's review of cash



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(302) 674-8384

410 S. Bedford Street
Georgetown, DE 19947
(302) 856-2388

deposits. We suggest additional controls be added to the review of bank reconciliations in order to review deposits-in-transit and account for transactions in their proper period.

ACTION TACKEN: The Accounting manager will review all cash deposits for the last week of the current month and the first week of the following month to assure the recording of cash transaction in the correct month.

The accounting manager will sign the report sand submit this report as part of the bank reconciliation to the Chief financial Officer for sign off.

II. FINDINGS--- FEDERAL AWARDS PROGRAM AUDITS

TYPE OF FINDING: Significant Deficiency---Noncompliance

REFERENCE NUMBER: 2018-002

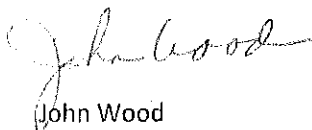
CONDITION: The submission of the date collection form and Single Audit reporting package for fiscal ended December 31, 2017 was not submitted within 30 days after receipt of the auditor's report.

ACTION TAKEN: The Organization will post the report submission deadline date on the master compliance calendar and the Senior Management outstanding compliance status report until the report submission is completed. Report submission responsibility will be jointly shared by the Chief Financial Officer and office of the Chief Executive Officer.

The Organization and Audit partner will work together to plan the Organizations required audit report presentation to the Audit Committee and The Board of Directors that will assure both adequate review time and meet the required submission timelines

If the Department of Agriculture or staff of the Child and Adult Care Food Program has any questions regarding this plan, please call John Wood at 302-777-9754.

Sincerely yours,



John Wood
Chief Financial Officer
Children & Families Delaware First, Inc.